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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## **School Property Tax Control Board Meeting Minutes July 17, 2008**

**Call to Order:** The monthly meeting of the School Property Tax Control Board was held on Thursday, July 17, 2008. The meeting was held in the Indiana Government Center South, Conference Center Room A, 302 West Washington Street, Indianapolis, IN 46204. Those in attendance were Tony Samuel, Debbie Hine, Richard Besinger, Denise Seger, Roger Umbaugh, Joseph Bronnert, Morris Mills, Paul Joyce, David Bowen, Chuck McLean (Administrative Officer), and Linette Pedigo (Administrative Secretary).

**Minutes and Discussion:** Mr. Bronnert began the meeting by calling for any additions or corrections to the June 19, 2008 minutes. Hearing none, Mr. Umbaugh motioned to approve the minutes. Ms. Hine seconded and the minutes passed by a vote of 9-0.

Mr. Bronnert commented that he has been serving on this Board for about seven years and during that time a lot of things have occurred. He said he will therefore be submitting his resignation at the end of this month. He said that there have been a significant amount of changes and that today in the Columbus newspaper both the Flat Rock-Hawcreek School Corporation and the Bartholomew County Consolidated School Corporation have submitted to the Auditor and Election Board to go to referendum on the November ballot. Mr. Bronnert said that he believes that school administrators and school boards have an obligation to look at projects and what is needed and to not be afraid to come in front of the public. There will probably be a lot of rehabilitation and remodeling projects in the future because of new legislation. With the State taking over the General Fund, he has heard that Capital Project Funds are probably going to be robbed even more. He said the effect of trying to keep property taxes down is probably going to backfire because there will not be enough money in the Capital Projects Fund to pay for the rehabilitation projects. He wanted to encourage the school administrators and the school boards to do a good job of presenting to the public; if the project is needed they, should have no problem with the referendum part.

Mr. Bronnert said he is going to relinquish his chair to the vice chair today, Mr. Mills. Mr. Mills congratulated Mr. Bronnert for his long and conscientious service to the State of Indiana.

**Western Boone County Community School Corporation, Boone County:** The school is requesting approval to enter into a lease/purchase agreement in the amount of \$30,000,000 with maximum annual payments of \$3,400,000 for a term of twenty-three years.

The project is comprised of the remodeling of Thorntown Elementary School, a K-6 facility, and the addition of 8,000 square feet; the remodeling of Western Boone Jr./Sr. High School and the addition of 28,546 square feet; and the remodeling of Grandville Wells Elementary School and the addition of 10,900 square feet. The school corporation is also asking for a tailored leasing plan.

Project costs: \$30,000,000  
Applied to Debt: 0  
Annual Payment: \$3,400,000

Tax Rate Impact:  
2007 AV \$521,111,740  
Levy Needed \$830,000  
Est. Tax Rate .2800

Meeting and Publication Dates:	
Date of publication of the 1028 Hearing	missing
Date of 1028 Hearing	03/24/2008
Date of the Notice for the Preliminary Determination Hearing	missing
Date of Publication of the Preliminary Determination	04/01/2008
Auditor's Certificate of No Remonstrance	05/02/2008
Proof of Publication of Notice on Hearing of Lease	missing
Excerpts & Minutes Approving Form of Lease	03/24/2008

Common Construction Wage Hearing held 06/09/2008                      Vote: 2-0-1

**Present for the hearing:** Jane Herndon, Ice Miller Bond Counsel; Bart York, Skillman; Kent Brandsen, School Corp Attorney; Deborah Smith, Secretary for School Board; Jane Faggetti, President of School Board; Judi Hendrix, Superintendent; Randy Ruhl, City Securities; Kelly McNairy, City Securities; Victor Landfair, Skillman; Kyle Miller, Schmidt Associates Inc.; Michael Biesecker, School Board Member; Roger Henry, School Board Member; Don Hildebrandt, Community Task Force; Brent Miller, Western Boone Staff; Rob Ramey, Western Boone Principal; Jane Taylor, Western Boone Assistant Principal; John Gillan, Building Task Force; John Riner, Building Task Force; Gary Lanpher, Western Boone Elementary Principal; Pam Taylor, Western Boone Elementary Assistant Principal; Vivian Norman, Treasurer; David Barnes, Maintenance Director; and Terry Barnett, Business Manager.

**Comments:** Ms. Judi Hendrix, Superintendent, began and stated that this project received a 7-0 vote from their school board. Ms. Deborah Smith then gave some demographics information about their community. She said their community is committed to education, and she believes projects should be done only when needed. This project started over two years ago, and they have tried to keep the community involved throughout every stage, even before the 1028 Hearing. They listened to what the public had to say and the public listened to what they had to say. By the time of the 1028 Hearing, they felt confident that the community was in support of the project because there was little public participation. She said there was a lot of public

participation prior to the 1028. Overall, she said the community is committed to recognizing that they must sometimes spend money to make the building adequate and acceptable.

Ms. Hendrix spoke next about the district's boundaries and the locations of the current facilities. She said their school corporation covers 225 square miles. She added that they have been in a steady growth pattern for the past 10 years; the projection is for this growth to continue for the next 10 years as well. Ms. Hendrix then talked about enrollment and how it has been relatively steady. They are now going to offer full day kindergarten and Eli Lilly has given them money to fund preschool. She then talked about the timeline for this project, which began in September 2006. They began by creating a list of their building and program needs. They hired City Securities to learn the financial impact of different-sized bond issues and Skillman Corporation to perform a facility needs assessment. After learning the cost would be \$60 million, they established a Community Task Force and decided to narrow the list down to \$30 million. She spoke next about the total construction cost of \$24,600,000 and how it is broken down.

Ms. Hendrix continued and talked about each of the three schools individually. With Granville Wells Elementary School, they will be changing some of the entrances and parking around the building; putting an addition onto the administration side and the cafeteria; adding kindergarten classrooms to accommodate full-day kindergarten and eliminate the portables; and doing infrastructure work to the HVAC and the roof. For Thorntown Elementary School, they will update the restrooms; provide safety and security through the main hallway in order to secure the classroom wings; add a new cafeteria and kitchen; renovate the locker rooms; reconfigure spaces to add an art area, a special education area, and eliminate the portables; and replace outdated infrastructures. For the Jr./Sr. High School, they are planning to rework the administration area; widen the front corridor; renovate the restrooms and locker rooms; rework the industrial technology area; and add more physical education space to the first floor. On the second floor, they want to renovate the restrooms, the science labs, the art area, and the family and consumer sciences area.

Mr. Randy Ruhl with City Securities took the floor next and talked about the financing and the tax impact. He said the total cost of the bond issue is \$30 million, and they have decided on slightly tailored payments. He said they talked about the potential for additional interest, but by paying the bonds in slightly less than 20 years, they felt they would pay considerably less interest. With this approach, the tax rate impact is 28 cents. He then went in to more detail with the amount of the actual payments and the tax impact on a yearly basis. With regards to the circuit breaker, he said they feel there will be no impact with this project because their tax rate will never go higher than \$2 and because of the assessed values of the homes in their area. Mr. Ruhl did say that the LSA report projected a \$3,886 impact in 2010. Mr. Mills asked if this meets the requirements of the state statute. Ms. Jane Herndon, Bond Counsel, answered that HEA 1001 indicates that it is the aggregate debt service of the school corporation that is level. This is being tailored as other debt is being repaid so this is exactly what the general assembly permitted.

Ms. Hendrix then spoke about their 2006 Capital Projects Fund and how it was broken down. Referring to his handout, Mr. Mills asked what "Professional Services" are. Mr. David Barnes, Maintenance Director, said that refers to HVAC contracts, grounds contracts, etc. Mr. Besinger

asked if any salaries were paid out of the “Technology” line item. Mr. Barnes said yes; about \$90,000.

Mr. Bowen asked Ms. Smith what some of the questions were that were brought up at the public meetings. She said some questions focused on the Capital Projects Fund and why it wasn’t being used. Other questions were about having an independent structure that would focus more on addressing some of their athletic needs, such as a field house. She said that their early meeting focused a lot on the money aspect and setting a maximum amount. In the end she said they had to focus on what really needed to be done.

Mr. Bowen asked next about the addition of 400 seats to a gym; he asked if this is for the new gym because it would therefore not be a physical education gym; it would be a spectator gym. A respondent said this will be at the Jr./Sr. High School. Mr. Bowen said this will be a third gym, and the respondent said that was correct. Mr. Bowen asked for somebody to support that. Mr. Rob Ramey, Principal of Western Boone, said when the Junior High gym was added a few years back, there were no permanent seats put in. He said they currently have aluminum bleachers on rollers and they are dangerous; there are a lot of fire code issues. He said that at times there will be four PE classes going on in the two gyms at one time, and they are trying to push the PE curriculum. He said the 400 seats are to address safety needs. Mr. Bowen wanted to clarify whether the 400 seats are going to be in the new or the old gym. Mr. Ramey said they will be in the new gym. He said they have two courts in the gym right now with the portable seats; one additional court with permanent seats will allow them to have a competition gym with safe seating. Mr. Besinger asked how many sections of physical education they have from grades 7-12. Mr. Ramey said they have 21 sections. Mr. Besinger asked how many periods they have a day, and Mr. Ramey said seven.

Mr. Bowen asked if there has been a detailed cost estimate submitted to the DLGF. Mr. Victor Landfair, Skillman Corp., said there has been. Mr. Bowen asked how much the site work component is at Granville Wells. Mr. Landfair said it is broken down under the “Safety and Security” category. He said it relates specifically to the main entrance at the front of the building that is off of an intersection; it is a five-point intersection that is very unsafe. He added that this is one of the highest priorities of the entire project.

Mr. Joyce said this is going to be their third remodeling project; they still have eight years left on one, 12 years left on the second, and this one will be for 23 years. He asked if this will address all of their needs until their entire debt is paid off. Ms. Hendrix said that with their projected growth, they do not see the need to construct a new building. She said they have had a lot of discussion about that. They have a lot of priorities that they did not get to include with this project, specifically with Thorntown Elementary. She said that they are not planning to build anything in the future, but she cannot predict the growth. She added that in regards to maintenance, all of their buildings are in very good shape. Mr. Joyce asked if they have had a study done, and Mr. Landfair said the facility needs assessment identified all of those types of needs. Through the process, they took the \$50-\$60 million in needs that were identified and pared it down to what is being presented today. He said the Facilities Director asked that the remaining items not be lost, but rather that they be added to an outstanding items list that the

Board and the Maintenance Director are aware of. He said they will do the best they can to use their CPF to address these remaining needs.

Mr. Mills asked if they are backing up their maintenance costs by only funding part of it, and said that maybe they should step up and pay some of the capital off earlier instead of backing off several years; maybe they are not really paying for the depreciation if they have to delay the remaining needs. Mr. Landfair said the priorities go back to dealing with the items that will last long-term. They have building cycles in which certain systems last 25 years; they talked about 50 years as a building cycle. He said that all of their buildings are structurally sound and they have no concerns.

Mr. Besinger asked next if they have a weight room, and Ms. Hendrix said yes. Mr. Besinger said he is concerned because they will have three gyms, a pool, a weight room, and 21 sections of physical education. He said it looks to him like this new gym is basically built for extracurricular activities; he does not see the need. Ms. Hendrix said they have studied that, and she wishes she could show the Board what the gyms look like on a daily basis and in the evening. She said they could have two PE classes going on at one time in the Junior High gym; a boys groups and a girls group. Mr. Besinger said they have three PE sections per period, and with the weight room and the pool, they have four PE facilities. Mr. Ramey said they do not put the whole class in the pool at once for safety reasons, and the weight room is not big enough to hold an entire classroom. He said as far as having three gyms, they are not going to add another entire gym; they are just going to add another court to the present gym. Ms. Smith added that when they built the auxiliary gym during their last project, they made decisions that they thought were cost-effective. As they look back, they realize they would have been better off addressing the gym issue at that time.

Mr. Umbaugh said to Mr. Ruhl that he assumes he is using an interest rate that is higher than the market. Mr. Ruhl said the numbers reflect a 5.75% average interest rate, and the market rate right now is 1% lower than that. Mr. Umbaugh asked if he will be restructuring the issue to reflect that interest rate if this is approved. Mr. Ruhl said yes. Mr. Morris asked if he would even go as far as to take into account the new increased assessed valuations. Mr. Ruhl said absolutely.

**Motion:** Mr. Bronnert motioned to recommend approval of a lease rental agreement in the amount of \$30,000,000 with maximum annual payments of \$3,400,000 for a term of 23 years. Mr. Umbaugh seconded and the motion carried by a vote of 8-1 with Mr. Besinger opposed.

**Additional Comments:** Mr. Mills commented that he does not like the issue of delaying the payments or the idea of stacking improvement projects on top of each other.

**Taylor Community School Corporation, Howard County:** The school corporation, for reasons known to the Board, appealed for emergency relief under IC 6-1.1-19-4.5 in the fall of 2006. The relief was granted, and the school is still operating under the relief structure. As a condition of the relief, the school must come to the SPTCB per IC 6-1.1-19-4.9(3) each time it wishes to outlay more than \$10,000 annually on any purchase. The school is coming forward to make such a request.

**Present for the hearing:** Deborah Barton, Treasurer

**Comments:** Ms. Deborah Barton began and stated that she is here to order paper for the school at a cost of \$16,428; she asked for the Board's approval to do so.

Mr. Bowen asked if Ms. Barton could give the Board the status of the school corporation. Ms. Barton said they finished 2007 with a cash balance of \$554,000, which is more than their excessive levy was. Looking at her projections through the end of this year, she said she feels they will probably end the year with twice that amount. She said they have done a lot of cost-cutting measures; they have cut down on the amount of teachers they have and consolidated their classrooms more. She added that they have also offered retirement packages in order to get some of the higher-end teachers to retire, and some have done that. Mr. Bowen asked if there has been any negative impact on the education of the students. Ms. Barton said she is not an education person, but has not heard of any negative impact. Mr. Bowen asked if the students are maintaining their ISTEP scores in the same way. Ms. Barton said she believes so. Mr. Mills then asked what the effect will be when the State takes over their General Fund. Ms. Barton said she understands it will still be funded the same way; she does not foresee any changes. Mr. Mills asked is there will be any possibility for excessive levies. Mr. McLean said he doesn't believe so. He said this unit might need to go to the newly created Distressed Unit Board to facilitate its success in getting out of its current situation, assuming that they are still in their current situation at the end of the year. He said the unit moves forward as best as it can, but it is a severely limited unit because of its previous challenges.

**Motion:** Mr. Besinger motioned to allow the purchase. Mr. Bowen seconded and the motion carried by a vote of 9-0.

**Additional Comments:** Mr. Besinger commented that he thinks it is good that the Board at the Taylor School Corporation has taken the steps to get the school corporation back in good standing. He said they are doing a good job and he commends them.

Mr. McLean said this unit will need to get its budget approved by this Board in August.

### **Union-North United School Corporation, Marshall and St. Joseph Counties:**

The school is requesting approval to execute a lease in the amount of \$20,090,000 with maximum annual payments of \$1,478,000 for a term not to exceed 26 years. The project consists of adding 4800 square feet to LaVille Elementary, a K-6 facility, and remodeling 7000 square feet; remodeling LaVille Jr./Sr. High School; and the creation of the new unnamed middle school for grades 5-8. The school corporation will be bringing \$450,000 from its Capital Projects Fund to reduce financing costs.

Project Costs: \$20,090,000

Amount applied to debt: \$0

Annual Payment: \$1,478,000

Tax Rate Impact:

2007 AV	\$326,253,769
Levy Needed	\$1,327,000
Est. Tax Rate	.2684

Meeting and publication dates:

Date of publication of the 1028 Hearing	11/07/2007
Date of 1028 Hearing	11/19/2007
Date of Notice for Preliminary Determination	11/19/2007
Date of Publication of Preliminary Hearing Notice	11/07/2007
Auditor's Certificate of No Remonstrance	05/05/2008
Proof of Publication of Notice on Hearing of Lease	05/27/2008
Excerpts & Minutes Approving the Form of the Lease	06/10/2008

Common Construction Wage Hearing held 04/02/2008

Vote: 3-2

**Present for the hearing:** John R. Price, Attorney for Taxpayers/Remonstrators; Larry Phillips, Superintendent; Thomas Peterson, Ice Miller Bond Counsel; Ken Hebard, Architect; Curt Pletcher, Umbaugh; Scott V. Cherry, Construction Manager; George Moffett, Taxpayer; Wayne Sparch, Taxpayer; E. E. Garrett, Taxpayer; Julie Schmidt, Taxpayer/School Volunteer; and Gene Gadacz, Taxpayer.

**Comments:** Mr. Larry Phillips, Superintendent, began by saying the school corporation itself is a rural district and it has two communities within it; LaPaz and Lakeville. He said the district is currently comprised of two facilities; an elementary school and a Jr./Sr. high school. The elementary school on paper is a K-6 facility; grades K-5 are inside the building while the sixth grade is outside in modular units. He said this has been going on since 1999. At the Jr./Sr. high school, there are two additional modular units that have been used for five years. As of December 31 of this year, they will have no bond debt.

Mr. Phillips continued and said this project has three parts. The first part is to add three kindergarten classrooms to the elementary school, creating a K-4 facility. The second part is a new intermediate school for grades 5-8, which will be located near the existing schools. The third part is to make the existing 7-12 facility a 9-12 high school.

Mr. Phillips said that the modular units they have right now are not connected to their facilities; they are handicap accessible but they have no restrooms. Whenever a student must use the restroom or go to lunch, they are forced to go outside to enter the building. He said this is not only an inconvenience, but it is a safety issue.

Mr. Phillips then began to talk about the school's history with the Control Board, and how the Board has helped them in the past to make improvements through bond issues.

Mr. Phillips spoke next about the proposed intermediate school in more detail. The intermediate school will be grades 5-8, so they will be moving the fifth and sixth grade to one side of the new

facility; the seventh and eighth grade will be on the other side. The shared facilities will be housed in the middle of the new school, such as the media center, band room, cafeteria, etc.

Mr. Phillips then commented on their special education program. He said they currently transport all of their early childhood/special education children to another school. He personally believes that every school district should provide for their own special needs children; they should not have to be transported. He said it is a very important program, and he wants to bring it back to their schools; presently they just do not have the space or the ability to do it.

With regards to their changing population, Mr. Phillips stated that they are rural in some ways, but they will become a veteran community of South Bend and/or Plymouth. In the future, they will be seeing the impact of that growth.

Mr. Phillips said next that this project will not stop with what is being presented here today. They are seeking \$19.6 million in bonds, but they are going to spend more than that. He said they are going for an additional \$450,000 over the two-year construction phase, taken out of their Capital Projects Fund, to be used to supplement other areas of the project. He said they are going to make renovations to the high school and make additional improvements to the elementary school over the next five to six years by using their Capital Projects money. They are not going to ask for more bond money for something else in the future.

Mr. Phillips then talked about the history of this process. He said this process began in the spring of 2007 by touring other schools to see what they offered their students and how they delivered those services. They considered many options, such as building a new high school; adding on to one of the buildings or to both of the buildings; and building a new primary school thereby creating an intermediate school out of their existing elementary school. Many people were involved with this project, including the public, but the committees had the greatest influence on the direction to be taken. He said many people were in favor of building a new high school and turning the 7-12 facility into an intermediate school, but it was just too expensive. Adding on to the existing facilities was also considered, but the additional space was deemed as making the buildings extremely large. The location of the current Jr./Sr. high school and its close proximity to a major existing pipeline also limited the idea of expansion. Mr. Phillips then stated that all of their previous one-year bond projects that were previously approved by the Control Board were related to this project in order to keep the costs down.

Mr. Curt Pletcher, from Umbaugh, took the floor next and talked about the financing. In 2007, the school issued general obligation bonds in the amount of \$960,000; those will be paid off in budget year 2008. The school currently has severance bonds outstanding in the principal amount of \$910,000; these will be retired in 2014. With this project, the estimated incremental tax impact will be about 14.5 cents. At the 1028, it was presented that there would be a new facility appeal for \$262,000 at 7.5 cents. With 1001, Mr. Pletcher said that tax impact will really be paid by the State through State Tuition Support. He said with the proposed financing, they were looking at a 23-year payback with a 26-year lease, but with 1001 the maximum term is now 20 years. He said this creates a problem because they had estimated interest rates that were higher than the current market at the 1028 for the 23-year financing. Based upon the current market



interest rates with a 20-year term, they are about \$200,000 short in their ability to fit a 23-year financing into a 20-year term.

Mr. Ken Hebard, Architect, spoke next about the process of this project. He reiterated that this process started a little over a year ago with the development of a broad-based community steering committee. The committee had 18 members made up of the school board, parents, etc. One of the things the committee did was establish criteria to evaluate the various options. The number one criteria was which facility options would give the district the opportunity to take care of its enrollment 10 years from when the demographics were done. The second criteria was to find a grade structure that would be best for the kids and the third was to eliminate all portables. He said they introduced multiple options that included phasing, where they would do a certain portion and then add on in four to five years. He said the school felt that didn't meet their needs long-term. Overall, Mr. Hebard said they decided on Option H, which is the project they are presenting today.

Mr. Besinger asked about the high school, and said that once they pull out grades 7 and 8, the enrollment will only be 375. Mr. Phillips said it would probably be closer to 400. Mr. Besinger said they have 42 classrooms, which ends up being about 12.5 students per classroom. He said their other buildings are balanced, but in the high school they will have too many facilities. He asked if they are predicting that much growth to take care of the building. Mr. Phillips said they are not predicting that much growth, but they want to expand some of their programs by moving some walls; they will be increasing the classroom space and decreasing the number of classrooms. Mr. Hebert said they will have a net drop of about six classrooms in order to improve the administrative flow, to provide safety and security checkpoints, and to integrate a community health program. He added that they currently have a bubble of growth in the kindergarten and elementary areas, so in 2016 and 2017, that bubble will hit the high school; it will be better utilized six years after the project is completed.

Mr. Besinger then mentioned a lawsuit that was filed in Marshall County pertaining to this project; he asked what effect this will have. Mr. Thomas Peterson, Bond Counsel, stated that the lawsuit was filed and the school corporation has replied to the lawsuit requesting the judge declare it a public lawsuit.

Mr. Mills asked about the hassles they encountered with the remonstrance procedures. Mr. Phillips said they did have a remonstrance where 60% of registered voters took part. He said that more people voted for the project than against. Mr. Joyce asked what the main reasons were that caused people to vote against the project. Mr. Phillips said that some wanted a new high school, some wanted nothing at all, and some only wanted to add on to existing buildings.

Mr. Bowen asked, following Mr. Besinger's earlier questions, if half of the fifth and sixth grade students will be split between the new and the old building. Mr. Phillips said no; right now the building is a K-5 with the sixth grade sitting outside in the portables. As the kindergarteners and the first graders move up, they are eating up one more classroom per year. Mr. Bowen wanted to clarify that the population of the new school will be 434, under today's population, but they are building the building for 525 students. He said that puts them way above the DLGF's guidelines for square feet per student. Mr. Hebard said the enrollment projected for the K-4 facility will be

605 in 2010 and 458 for the intermediate school in 2010. Mr. Bowen said he doesn't know where this information is coming from; none of his population data says that. Mr. Hebard said this comes from the feasibility study. Mr. Bowen asked if they do not believe the DOE's projections that the population will go down. Mr. Hebard said their dilemma is in 2016 when there will be 512 students; six years after the project is complete. He said this is the reason the school is designed as a five-section building. Mr. Bowen said he is not hitting his point; his point is even if they did have 512 students in the building, they have still exceeded the square feet per student. He said this is something the Commissioner needs to look at. Mr. Besinger said his problem is that with middle schools and high schools, most people figure 30-32 students per class. He said in a rural school, though, that can't always be the case. He said with the figures for their intermediate school, they will have 31 classrooms, and if there are 30 students per classroom, the building could hold 930 students. With their high school, if they have 42 classrooms and pack it full, they could fit 1260 students. He understands that is packing to capacity, but with the rooms they have and the students they have, it looks like an awful lot of space. He said he knows they have a big problem at the elementary school and they are trying to address it, but he asks what they are going to do with all the extra space at the high school. In five years if they have a lot of growth that would be great, but in ten years if they have no more growth they will have a lot of building sitting there to maintain. Mr. Hebard said the challenge that the committee had was, because of the current size and configuration of the elementary, the support facilities (cafeteria, gymnasium, media center) could not support adding on the classrooms to accommodate the full growth that is projected. To do a standalone 5-6 building, or even a K-3 wasn't a good use of administrative resources. He said the points that are being brought up by the Board members today are the same challenges faced by the community. They went through every single option and felt that having a small elementary school was good for education and that having a 5-8 intermediate school was a better configuration than adding on grades 5-6 to the high school. He said there was no perfect solution, but this three school plan was the best option. Mr. Phillips added that they tried very hard to keep the project under \$20 million to have a minimal effect on the tax rate.

Mr. John Price, attorney for the taxpayers and remonstrators, then took the floor to discuss the litigation that was mentioned previously. He said the lawsuit was filed in Marshall County and is primarily based upon a violation of Indiana's law that school facilities or resources cannot be used to promote a remonstrance. What they have alleged in their suit was that the official corporate logo for the school corporation was used on flyers and on the website. He said in the description that was given to the community, they were incorrectly told that school enrollment was up when in fact it has decreased since the 1987-88 school year. In addition, there was an incorrect evaluation given to the patrons of the tax base at the 1028 Hearing. Mr. Price also said that the school consistently used the word "we" in its literature and on its website, but at the bottom of these flyers it never said who paid for it. He said the biggest problem that led to the remonstrance, a question that was asked earlier, was that the steering committee was not broad-based; there were four Board members, four teachers, two principals, Superintendent Phillips, two contractors, and a couple of other persons. Basically, the school community decided to build the school improvements without widespread input from the community. He reiterated, though, that the lawsuit is based on the school corporation's use of assets, resources, and facilities to promote the project. He said it is in the Marshall Circuit Court, and he respectfully asked that the

approval of this project be delayed until the Court makes its ruling. There will be a hearing on the 24<sup>th</sup> of this month on the request to declare it a public lawsuit.

Mr. Peterson said the Board has in front of them a certification of the results of the petition/remonstrance process, which shows that the school corporation's proposed project was approved by the property owners. With the questions that have been brought forth by the plaintiffs in the case, the school corporation does not believe they have any merit. He said with the use of the word "we," he hopes that community members would view this project as being their project. He then respectfully asked the Board to continue with its review; there is no court order or injunction that has been filed that should stop the Board from continuing.

Mr. Umbaugh then commented on the financing. He said there is no capitalized interest, local funds are being applied, and there is level debt; he said that is amazing given what they have seen other school systems do.

Mr. Pletcher commented next about a comment made by Mr. Price regarding the assessed value given at the 1028 Hearing. He said they did not incorporate any projected subdivisions within the school district. They used a 2% growth factor and the last certified AVs for 2007 as the base. The school corporation just received their certified AVs for taxes payable in 2008, and the AV increased by 2.87%. Mr. Mills asked what the makeup is for the AVs; how much is residential/farmland/commercial. Mr. Pletcher said there are two different counties, but he would need a minute to find out.

In the meantime, Mr. Edward Garrett, a taxpayer and a member of the steering committee, wanted to make clear that the steering committee was not limited; anyone in the area could belong. He said the people on the committee were the only ones who volunteered. He said they must spend the few extra dollars in taxes in order to get the kids out of the modulares. As far as the lawsuit, the brochures and the website were paid from private money; they were very aware of the people who were remonstrating so they made very sure that no rules were violated.

Mr. Pletcher, in response to Mr. Mills' earlier question, said these values are pretty representative of both counties. He said residential homesteads make up 48% and other residential and farmland make up 35%; the balance is other types of land.

**Motion:** Mr. Mills motioned to recommend approval of a lease agreement in the amount of \$20,090,000 with maximum annual payments of \$1,478,000 for a term not to exceed 26 years. He then commented that the Board has some concern about the excess capacity at the high school and would like to bring that to the attention of the Commissioner. He said he does believe that they need to get the kids out of the modulares though.

Mr. Bronnert seconded the motion, which carried by a vote of 9-0.

**School City of Hammond, Lake County:** The unit requests approval of a lease/purchase agreement in the amount of \$106,600,000 for a term of 25 years with maximum annual payments of \$21,250,000. The project is to remodel 90,000 square feet of Gavit Middle

School, a 6-8 grade facility, and to no longer use the remainder but instead add a new 100,000 square foot school to replace the capacity lost. The project also consists of constructing a new Hammond High School and remodeling the old high school.

Project costs: \$106,600,000

Applied to Debt: 0

Annual Payment: \$21,250,000

Tax Rate Impact:

2007 AV \$2,275,598,770

Levy Needed \$5,350,000

Est. Tax Rate .9180

Meeting and Publication Dates:

Date of Publication of the 1028 Hearing 11/28/2001

Date of 1028 Hearing 12/10/2001

Date of Publication of Preliminary Determination 12/13/2001

Auditor's Certificate of Remonstrance 01/14/2002

Notice of Adoption 12/10/2001

Publication of Notice of Adoption 12/13/2001

Excerpts & Minutes Approving Form of Lease 05/22/2008

Publication of Notice of Hearing on Lease 05/30/2008

Common Construction Wage Hearing held 05/05/2008 Vote 2-2-1

New Facility appeal: None anticipated

**Present for the hearing:** Dr. Walter Watkins, Superintendent; Karen Wallisch, Business; Rob James, Business; Jim Merten, City Securities Underwriter/Financial Advisor; Jim Shanahan, Ice Miller Bond Counsel; Greg Monberg, Architect; Linda Fullilove, Hammond High School Principal; Anna Mamala, School Board President; Representative Linda Lawson, State Representative; Patrick O'Rourke, President of Hammond Teachers Union; Dee Jones, PTA/Parent; Chris Lafollette, Construction Manager; Cindy Murphy, School Board/Parent; Larry D., Envoy; Charles McCoy, Architect; James Premeske, Team Hammond Director; James Sheehan, Team Hammond Treasurer; George T. Janiec, Team Hammond Director.

**Comments:** Dr. Watkins, Superintendent, began by stating that the projects being presented today are the culmination of a long-term strategic plan that was developed at the recommendation of the existing School Property Tax Control Board (SPTCB) in 2001. Several times in the 1990's their school city appeared before the SPTCB to address issues of inadequate financing and funding. The Control Board strongly encouraged the school city to consider consolidation and reducing the number of its school facilities. The City of Hammond had been experiencing a long and steady decline in population, thus affecting the school city. In an effort to address the problem, a long-term strategic plan was developed. It examined community and student demographics, as well as the instruction programs, educational facilities, and capital projects. He said that a major recommendation of the study reinforced the considerations of the

SPTCB that Hammond did indeed have more facilities than it needed. The study further recommended that a long-term strategic plan addressing construction, consolidation and renovation be implemented. The major goals of this plan include updating inefficient facilities and the creation of upgraded learning environments for students. He said the study was approved by the DLGF in 2001 and was presented to the Hammond community. A 1028 Hearing was held and there was no public remonstrance at the time.

Dr. Watkins then discussed the projects that have occurred since 2001 (the schools that have been built and those that were discarded). He said to date, they have reduced the number of facilities from 24 to 21. He added that the newly constructed schools have resulted in energy savings and a growth in student achievement.

Dr. Watkins then talked about the projects at hand; the middle school and the high school. He said a new property tax plan was developed in 2002 for these projects, but the assessment process shifted the property tax burden to local homeowners. Because of the huge property tax increases placed on homeowners, the community came forward and became concerned about this project. They asked for the project to be put on hold, and the Board agreed to delay this project until the property tax issue could be resolved. Dr. Watkins said that with the passage of HEA 1001 and the establishment of a circuit breaker, this is the time to move forward with this project.

Mr. Greg Monberg, Architect, took the floor next to discuss the high school portion of the project. He said they did an analysis of the existing high school to see what would need to be done to bring it up to current standards, in term of building codes and educational programs. There are four main reasons why the existing high school cannot be renovated inexpensively: light safety, ADA, Title 9, and educational programs. All four of these components require the building to be torn down and reconfigured. He said the current building is not up to code, is not ADA compliant, and there are not equal facilities for boys and girls. The rooms are not big enough for today's standards of 900 square feet per room and there is a higher risk to renovate because of the age of the facility. He added that they have nowhere to put the students during a renovation because the renovation would have to include structural modifications.

Ms. Linda Fullilove, Principal of Hammond High School, spoke more about their ADA compliance issues. She said handicapped students must come through the boiler room to enter the building, pass through a door that is too small for most wheelchairs, and travel up a freight elevator to their classrooms. She added that their restrooms are not ADA compliant and the gym and pool are nearly inaccessible to the disabled. She reiterated the fact that the high school cannot be renovated.

Dr. Watkins then talked about the recent objections to the project. He said some believe this project will put an unnecessary burden on the taxpayer, but he believes it will be the contrary because of 1001. Mr. Jim Merten, Financial Advisor, said that when this comprehensive plan for consolidation began back in 2000-2001, they developed a complete financial plan that was explained to the public numerous times through public meetings and the newspaper. He then explained a handout which gave the financial information of the projects completed since 2001, which have totaled \$138,680,000. This project today is for \$106,600,000 which gives a total of

\$245,280,000 of bonding. He added that at the 1028 Hearing, the net tax impact of all the projects was discussed in depth. He said the numbers are different though because at that point in time (2001) the assessment system was completely different than it is now. Mr. Merten talked next about the annual lease payments of the four previous issues since 2001 along with the payments for this project. He said the total payments are level for about 10 years, then they will go up. This is consistent with what is allowed in 1001 to have a combined approximately level debt service rate. He added that 1001 has had one impact on this financing; there is now a 20-year limit on bond issues so some of the lease payments had to be raised. He did say that they will still be under the maximum annual payment approved in their 1028 Hearing. Mr. Merten then talked about the circuit breaker impact. He said the homes in Hammond are not high-priced real estate; most are around \$90,000. Only the homes above that price will cause a circuit breaker impact. He added that there is a new gaming facility that is in-process right now, and this will cause a significant increase in assessed valuation. This new facility will approximately offset the reduction in assessment due to additional tax credits in 1001. Finally, Mr. Merten wanted to remind the Board that his numbers are 2006 pay 2007 because the school is located in Lake County, which does not yet have their 2008 assessments or tax rates.

Ms. Karen Wallisch took the floor next and spoke more about the financial impact of this issue. She said that this new bond issue will not have an effect on most of the taxpayers because they will reach the tax cap. She said because they are in Lake County, they have already had to deal with circuit breaker reductions in their levy, and they have taken numerous cost-reducing steps to address this. She added that they will always hold on to the hope that Lake County will pass a Local Option Income Tax.

Dr. Watkins then stated that they cannot provide a 21<sup>st</sup> Century learning environment in a 100-year old building. A modern school means learning environments with advanced technology and flexible learning spaces. He said with the construction of this new high school, major academic and educational reform will occur. Career academies will be implemented in all of the existing high schools in the school city. The new high school will have math, science, and health career academies; Morton High School will become a performing arts academy; and Clark High School will be a visual arts academy. In addition, he said each high school will participate in Project Lead the Way and I-STEM; there will also be a freshman academy in each facility. He said that the traditional programs currently in place at their high schools are not leading students to success. Because of the success at their new elementary schools with regards to achievement, they expect achievement at the secondary level as well. He said without this new high school, they will continue to inadequately challenge the needs and interests of their students.

Dr. Watkins continued and talked about challenges they face as a large, urban school district. He said the majority of the population are minorities and poverty-stricken. More than one-third of their students are limited English-proficient, and there are more than 2,100 special needs students.

Mr. Mills said he is confused on what they are planning on doing. Mr. Monberg said they were challenged with the task of building this project for the same amount that was approved back in 2001. Construction costs have increased, so they had to look for savings in reusing existing facilities. He then went into detail about the proposed project. They will be reusing and

renovating the existing auditorium at the Career Center and the gym at the current Hammond High School; all academic wings will be new construction. He added that since they are reusing the gym at the existing high school, the rest of the spaces there will be vacated. Ms. Wallisch said they are looking to partner with someone like Ivy Tech that can use the existing high school; they do not want to have to demolish it. Mr. Bowen asked why Ivy Tech would want it if it is not fitting as a school. Mr. Monberg said they are okay with 600 square foot rooms, though there would need to be some renovations. He said there are two reasons why it would be less expensive for them: the building will be vacated while the renovations would be taking place, and they don't need to reconfigure the rooms to work for their educational programming. Mr. Bowen asked if the demolition costs are in the budget, and Mr. Monberg said they are, though he hopes that could be a savings.

Mr. Samuel asked how many buildings are going to be purchased. Mr. Monberg said there are 48 homes. He said Hammond is completely built-out; there are no areas to annex and no farmland. They did an analysis of 16 different home sites, and this one was the best location because the kids can walk to the Career Center.

Mr. Mills asked how many high schools they have. Dr. Watkins said they have two standalone high schools, and two middle/high schools. He said the goal with this project, once the high school is completed, is to remodel Gavit Middle/High School to make it a standalone middle school. Mr. Mills then asked what they are looking at to finish the deal. Ms. Wallisch said this will be the last project. Mr. Joyce asked if this project will carry them until the bonds are done because their debt is going to come on in stages, and will really hit hard in ten years. Ms. Wallisch said it is not in their plan to have more projects. Mr. Merten added that their payments are fairly level at around \$25 million when they combine all of their debt along with this project. The only jump was will be in 2020 when the payment increases because of the requirements of 1001. Mr. Joyce commented that historically, schools have remodeling projects and repairs that do occur. He asked again if they have any foreseen projects that may come up in the future. Dr. Seger asked if they would be paid for out of their Capital Project Fund if projects did come up. Ms. Wallisch said yes.

Mr. Mills wanted to clarify that they will not be paying much capital on this project for the first ten years. Mr. Merten said for this project, that is correct, but for the previous four projects that is not the case. He said there are two things that will change that: they have a conservative interest rate right now and once they know their new AVs they will be able to pay more capital.

Mr. Besinger then asked about their outstanding debt of \$199 million, and how much interest they will have to pay on that. Mr. Merten said about 60 cents of interest for every dollar of principal would be his estimate. Mr. Besinger said with their new debt they will have \$389 million, and with the \$120 million in interest from their outstanding debt, they will be half a billion dollars in debt.

Mr. Besinger spoke next about their Capital Projects Fund. He said he noticed that they use a lot of it for salaries, phones, etc.; things that are normally paid out of the General Fund. About the earlier discussion of future projects, he said a lot of them could be done if these expenses were taken out of the General Fund. Ms. Wallisch said it is a consideration to have that shift back to

the General Fund. She said those salaries are for their skilled craftsman, and they are reducing that staff.

Representative Linda Lawson took the floor and stated her support for this project. She said people in the community want this and they feel like they deserve it. She added the school has done everything to cut the cost of this project.

Ms. Mamala, School Board President, then talked about her support of the project. She said this is about the children and what they need. She said the Board has always been unanimous and passionate about this project.

Mr. Patrick O'Rourke, President of Hammond Teachers Union, spoke next about his support. He said this project is a moral imperative and is necessary for the vitality of the city.

Ms. Dee Jones, a parent, took the floor next and stated she was an original member of the 2001 committee. She said they decided to do the elementary schools first so that by the time the kids got to the high school, they would be afforded great opportunities. She added that this project is very much needed for the children of Hammond.

James Premeske, Team Hammond Director, then spoke about his opposition to the project due to the school's credibility and its future. He said in 1991, the school hired consultants to come in, and they determined that they needed to start doing something about the schools. He said that in 1991, though, they were in a situation where they were getting rid of schools that were built for 50 years of service after only 15 years; in best case scenarios, they were getting 30 years of service out of some. As it relates to this project, he said they keep getting conflicting figures from the school board. They have no qualms about the site, the boundaries, or the integration of the two schools; their issue is an economic one. Lake County and St. Joseph County are the only two Indiana counties that are excluded from the 1001 implementation schedule because their government spending and debt is so out of control.

Mr. Premeske continued and talked about Governor Daniels' guidelines for school construction, and how Hammond seems to pay twice as much as the national average and neighboring communities for a school. He said enrollment is declining in the city and people are vacating their homes due to the increase in property taxes. He then talked about the remonstrance petition that was filed in 2005, which prompted the school city to postpone action. On May 22, 2008, a petition supporting the high school was presented to the school board; it had been quietly circulated as Mr. Premeske said he had never heard about it. This caused a new second remonstrance petition to be circulated by Team Hammond and others.

Mr. Premeske then spoke more about the credibility of the school city based on newspaper articles; building new schools for declining enrollment, for geographic location, and for kids to learn better (AYP). He said the DLGF guidelines for school construction are \$168 per square foot, and this project is \$185 per square foot, and that number is from 2001. Mr. Premeske touched next on the school's graduation rate, and how it is well below the state's average.



Mr. James Sheehan, Team Hammond Treasurer, took the floor next and talked about his opposition to the project and the financing. He said the total debt for the City of Hammond at the end of 2007 was \$96 million; the State Constitution's debt limit for the city is \$46 million. He said that Hammond is \$50 million over their debt limit and the Mayor is responsible for this. Referring to the legal notice of the lease, it says the lease payments will be \$21,250,000 for a term of 25 years. He said this comes out to be \$531,250,000; a number that is not advertised but should be. At the July 10<sup>th</sup> school board meeting, they did not discuss a lease amount, an interest rate, or terms; the school board just voted for the Resolution without any discussion. He asked where the \$106 million came from all of a sudden. With the financial plan based on this legal notice, the combined debt service between the city and the school city would come to \$996 million; this is based on the Mayor's plan and this plan.

Mr. Mills asked why this total comes out to \$531 for this financing. Mr. Jim Shanahan, Bond Counsel, answered that the statute and the DLGF requires them to include a maximum annual payment. Mr. Mills said those numbers are absolutely off the whirl. Mr. Shanahan agreed and said they are just complying with the law. He added that the lease was approved as to form at the May meeting, a meeting which the opposition may or may not have attended. The notice Mr. Sheehan was referring to was the Notice of the Hearing on the Lease. Mr. Mills said he still does not know how they came up with those numbers. Mr. Merten said that on the Hearing Information Sheet, there is a copy of the proposed amortization schedule and a copy of their other debt service payments and total lease payments. He said it has all been disclosed. He understands that taking the annual lease payments times the term of the lease equals \$531 million, but that's what has to be advertised. Mr. Mills asked why it has to be advertised. Mr. Merten said the General Assembly makes the rules. Mr. Mills asked what the rules say. Mr. Shanahan said the rules say they must advertise a Notice of the Hearing on the Lease, and the notice must contain how long the lease will run and how much the annual payment will be. Mr. Mills said they jiggered the numbers so that they will not pay any principal until the end, and that is where the mess is. Mr. Shanahan said this is part of a ten-year program; one must look at the entire program. Mr. Mills said he knows what they are doing; its financial manipulation. Mr. Umbaugh said it is not.

Mr. George Janiec, Team Hammond Director, spoke next about the project and commented on some of the points made by the school city. In regards to ADA compliancy, he asked why it hasn't been met in the 16 years since it was passed in 1992; this is a federal law. With the architect and the competitive bids, he asked what the competitive bids are for rehabilitation; this is only a one-sided prospective. He said the County Option Income Tax is nothing more than a tax to pay for property taxes. He said the Chamber of Commerce is not the watchdog for the city; the voters and taxpayers are the watchdogs. The vitality of the future of Hammond is not necessarily tied to the economic development of the schools; it is tied in to the root structure of families and communities. He said that right now there are a record number of foreclosures in the area due to large increases in property taxes, and 1001 is supposed to provide relief to Lake County on a gradual basis; one other reason that Lake County is a special needs county. As a former teacher, he agrees it is all about the children; but as a retired, fixed-income taxpayer he understands the other side as well.

Mr. Janiec continued and said, in regards to the question as to whether the school city foresees any future projects, that Clark High School is currently at capacity, so that will probably be a future project. He added that there are several other schools that are 50-60 years old and are hitting that timeline where there will be a need for more debt. With the achievement levels, he said the school city has been substandard for more than five years. He said they currently have a debt service of over \$350 million, and with this project it will be about a half billion dollars. This debt amount is more than the entire debt of Vanderburgh County.

Mr. Janiec finalized his comments and said this is something that should not be left up to four or five people; this should be a referendum. He said they have a remonstrance petition that has been filed and the signatures have been certified. They have 475 certified signatures, of which 317 are property owners and 138 are registered voters. He said this is not an overwhelmingly supported issue in the community and the City Council President has openly come out and voiced his opposition to this project.

Ms. Cindy Murphy, School Board Member and parent, commented next about the project and the opposition's remarks. She said they knew that property taxes were going to go up, and HEA 1001 capped them. Because of the cap, the majority of taxpayers in Hammond will have no net increases in their taxes. She said this is a wonderful opportunity for the taxpayers in Hammond to get these new buildings and not have the increase in taxes. Because this project took so long, they have to rein it in. They no longer have the same buying power so the school will not be the big, fancy school it was originally planned to be; they cannot afford it. She then added that when the original demographics study was done that said the population was declining, they got 2000 more students in the system. This project was originally for 1500 students, but now it is for 1800. With regards to people leaving the city, she said just the opposite. People are coming in because they have one of the best special education programs there is. She said the state changed the graduation rate formulas, so just about every school in the state went down because of it. She then said she agrees with Mr. Besinger about the use of the Capital Projects Fund and the General Fund, especially with the predicted circuit breaker losses. Finally, Ms. Murphy talked about the academies and how great they will be for the students; just building a new school will do nothing, but combining it with academic opportunities will cause the students to be engaged.

**Motion:** Mr. Mills motioned to send this project to the Commissioner without a recommendation.

Hearing no second, Mr. Besinger made a motion to reject the project. Mr. Samuel seconded the motion.

Mr. Bowen commented that he gets very disturbed when he hears people say that the taxes are going to go down, because somebody has to pay for this. He said this will all come back to them one way or the other. He believes it's a bad thought that if property taxes are going down for homeowners that nobody will have to pay what is left; somebody has to pay it. He said this is an attitude that people in Indiana have to get rid of. Secondly, he said, in his personal opinion, this is a classic case for a referendum, and he hopes the school corporation wins.

Mr. Mills then commented that this is one of the places where the legislation dropped the ball a long time ago. He said he believes they simply cannot afford to do this project right now; the resources are not there to fund this.

Mr. Mills called the motion to a vote, and the motion passed by a vote of 6-3, with Dr. Seger, Mr. Umbaugh, and Mr. Bronnert opposed.